



DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2017

17 August 2017

Dancomech Holdings Berhad
All Rights Reserved

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2017**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
Revenue	A7	15,587	18,187	30,198	32,704
Cost of sales		(10,382)	(10,815)	(20,121)	(19,279)
Gross profit		5,205	7,372	10,077	13,425
Other income		594	592	1,208	825
Selling and distribution expenses		(351)	(187)	(497)	(582)
Administration expenses		(1,368)	(1,558)	(2,816)	(2,824)
Other expenses		(605)	(298)	(1,026)	(1,233)
Finance costs		(5)	(2)	(6)	(3)
Profit before tax	B14	3,470	5,919	6,940	9,608
Tax expense	B5	(754)	(1,536)	(1,625)	(2,428)
Profit for the period		2,716	4,383	5,315	7,180
Other comprehensive income		-	-	-	-
Total comprehensive income		2,716	4,383	5,315	7,180
Profit attributable to:					
Owners of the Company		2,588	4,329	5,031	7,071
Non-controlling interests		128	54	284	109
Profit for the period		2,716	4,383	5,315	7,180
Total comprehensive income attributable to:					
Owners of the Company		2,588	4,329	5,031	7,071
Non-controlling interests		128	54	284	109
Total comprehensive income		2,716	4,383	5,315	7,180
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.1	1.6	2.1	2.6
Diluted (sen)	B12	0.9	1.2	1.7	2.0

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

RM'000	Note	As at 30.06.2017 Unaudited	As at 31.12.2016 Audited
Assets			
Property, plant and equipment		31,118	25,634
Deferred tax assets		9	9
Non-current assets		31,127	25,643
Inv: There were no issuances, repurchases or repayments c		19,546	19,623
Trade and other receivables		19,052	17,869
Tax recoverable		66	33
Cash and cash equivalents		47,253	49,628
Current assets		85,917	87,153
Total assets		117,044	112,796
Equity and liabilities			
Share capital		67,032	59,600
Share premium		-	7,432
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings	B6	78,587	75,791
Equity attributable to owners of the Company		104,133	101,337
Non-controlling interests		1,308	724
Total equity		105,441	102,061
Borrowings (secured)	B9	2,296	2,487
Deferred tax liabilities		3	3
Non-current liabilities		2,299	2,490
Trade and other payables		7,983	7,016
Borrowings (secured)	B9	718	478
Tax liabilities		603	751
Current liabilities		9,304	8,245
Total liabilities		11,603	10,735
Total equity and liabilities		117,044	112,796
Net assets per share attributable to owners of the Company (RM)		0.35	0.37 *

*Comparative figures for the number of ordinary shares for net assets per share have been restated to reflect the adjustment arising from the share split during the financial year.

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2017

(These figures have not been audited)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Non-Distributable			Distributable				
RM'000	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings	Total		
At 1 January 2017	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061
Total comprehensive income	-	-	-	-	5,031	5,031	284	5,315
Adjustments for effects of Companies Act 2016	7,432	(7,432)	-	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	300	300
Dividend	-	-	-	-	(2,235)	(2,235)	-	(2,235)
At 30 June 2017	67,032	-	(41,477)	(9)	78,587	104,133	1,308	105,441
At 1 January 2016	50,000	-	(41,477)	(9)	65,177	73,691	543	74,234
Total comprehensive income	-	-	-	-	7,071	7,071	109	7,180
At 30 June 2016	50,000	-	(41,477)	(9)	72,248	80,762	652	81,414

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2017

(These figures have not been audited)

RM'000	6 months ended	
	30.06.2017	30.06.2016
Operating activities		
Profit before tax	6,940	9,608
Adjustments for:		
Non-cash items	521	838
Non-operating items	(123)	-
Interest income	(453)	(59)
Interest expense	6	3
Operating profit before working capital changes	6,891	10,390
Changes in working capital:		
Inventories	77	3,197
Receivables	(1,264)	1,001
Payables	966	(8,196)
Cash generated from operations	6,670	6,392
Tax paid	(1,806)	(2,238)
Net cash from operating activities	4,864	4,154
Investing activities		
Interest received	453	59
Net proceeds from issuance of shares	300	-
Placement of fixed deposits	(20,803)	(3,782)
Purchase of property, plant and equipment	(5,514)	(628)
Proceeds from disposal of property, plant and equipment	130	-
Net cash used in investing activities	(25,434)	(4,351)
Financing activities		
Dividend paid	(2,235)	-
Interest paid	(6)	(3)
Placement of pledged fixed deposits	(13)	(24)
Repayment of borrowings	(351)	(351)
Net cash used in financing activities	(2,605)	(378)
Net changes in cash and cash equivalents	(23,175)	(575)
Translation differences	(16)	(82)
Cash and cash equivalents at the beginning of financial year	45,061	25,566
Cash and cash equivalents at the end of reporting period	21,870	24,909
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	29,403	7,283
Cash and bank balances	17,850	23,771
	47,253	31,054
Less: Fixed deposits pledged to licensed bank	(1,839)	(1,785)
Less: Fixed deposits as investing purposes	(23,544)	(4,360)
	21,870	24,909

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis Of Preparation

This unaudited interim financial statements has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2016.

The accounting policies adopted by the Group in these interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2016 except for the following new MFRS, Amendments to MFRS and IC Interpretations to be applied by the Group for the financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS 2014 - 2016 Cycle)

The adoption of the above pronouncements did not have any significant effects on these interim financial statements upon their initial application.

The Group has not adopted the following Amendments to MFRS that have been issued but not yet effective:

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 - 2016 Cycle)
- Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4 Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9 Financial Instruments
- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- MFRS 15 Revenue from Contracts
- MFRS 16 Leases
- Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)
- Amendments to MFRS 140 Investment Property - Transfers of Investment Property
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant effects to the Group upon their initial application.

A2 Seasonality Or Cyclicity Of Operations

The business operations of the Group were not materially affected by any seasonal or cyclical factor during the current quarter under review.

A3 Unusual Items Due To Their Nature, Size Or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A4 Significant Estimates And Changes In Estimates

There were no changes in estimates that had any material effects on the current quarter under review.

A5 Debt And Equity Securities

There were no issuances, repurchases or repayments of debt and equity securities during the current quarter under review other than share split of every 1 ordinary share into 2 new ordinary shares on 18 May 2017 and issue of 149,000,000 free warrants on the basis of 1 warrant for every 2 subdivided shares on 2 June 2017.

A6 Dividend Paid

The following dividends were paid during the current and previous corresponding financial year ended:

Final dividend	30.06.2017	30.06.2016
For the financial year ended	31 December 2016	-
Approved and declared on	7 April 2017	-
Date paid	18 May 2017	-
Number of ordinary shares on which dividends were paid	149,000,000	-
Dividend per share (single-tier)	1.5 sen	-
Net dividend paid (RM)	2,235,000	-

A7 Segmental Information

The principal activity of the Group is trading and distribution of process control equipment and measurement instruments. Operating segment information has not been prepared as the Group's revenue and operating profit are mainly derived from one (1) operating segment.

Geographical information on the Group's non-current assets is not presented as its operations are wholly located in Malaysia.

Geographical information on the Group's revenue is as follows:

RM'000	3 months ended			6 months ended		
	30.06.2017	30.06.2016	Variiances	30.06.2017	30.06.2016	Variiances
Malaysia	13,023	16,222	(3,199)	25,418	27,052	(1,634)
Indonesia	1,232	1,662	(430)	3,411	4,901	(1,490)
Others	1,332	303	1,029	1,369	751	618
Total	15,587	18,187	(2,600)	30,198	32,704	(2,506)

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Companies in which certain Directors have interests:				
Revenue from sales of goods	38	106	58	155

All related party transactions had been entered into in the ordinary course of business and were carried out on normal commercial terms.

A9 Valuation of Property, Plant and Equipment

There were no valuations on property, plant and equipment during the current quarter under review.

A10 Capital Commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the current quarter.

A11 Contingent Assets And Liabilities

There were no changes in contingent liabilities and contingent assets since the end of last financial year other than those disclosed as follows:

Contingent liability	As at	As at
RM'000	30.06.2017	30.06.2016
Arbitration claim by a building contractor against a subsidiary	428	428

A12 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A13 Material Events Subsequent To The Reporting Period

There were no material events subsequent to the end of the current quarter.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1 Performance Review - Comparison With Preceding Year Corresponding Quarter

RM'000	3 months ended		6 months ended	
	30.06.2017	30.06.2017	30.06.2017	30.06.2016
Revenue	15,587	18,187	30,198	32,704
Profit before tax	3,470	5,919	6,940	9,608

For the current quarter under review, the Group recorded lower revenue of RM15.6 million as compared to RM18.2 million in the same quarter last year. The drop in revenue was principally caused by lower sales of process control equipment in the domestic and Indonesia markets affected by business slowdown in oil and gas sectors. In line with the drop in revenue, the pre-tax profit decreased by RM2.4 million as compared to preceding year corresponding quarter, mainly due to lower margin of goods sold in the current quarter.

For the 6 months period ended 30 June 2017, the Group recorded lower revenue of RM30.2 million as compared to RM32.7 million in the same period last year. The drop in revenue was principally caused by lower sales of process control equipment in the domestic and Indonesia markets affected by business slowdown in oil and gas sectors. In line with the drop in revenue, the pre-tax profit decreased by RM2.7 million as compared to preceding year corresponding period, mainly due to lower margin of goods sold in the current period.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		
	30.06.2017	31.03.2017	Variance
Revenue	15,587	14,611	976
Profit before tax	3,470	3,470	-

In comparing to immediate preceding quarter, revenue of the Group in the current quarter increased by RM1.0 million. The increase was mainly due to higher sales volume in the domestic market in the current quarter.

Even with higher revenue, there were no material changes in the pre-tax profit between the current quarter and the immediate preceding quarter mainly caused by lower margin of goods sold during the quarter.

B3 Commentary On Prospects

With the present cost escalation and volatility of currency exchange in the Malaysian economy, the Group faced an increasingly competitive and weak domestic market environment. The Group continued to remain cautious in the utilisation of its proceeds raised from initial public offering and will use the proceeds at an opportune time. In the meantime, the Group will explore overseas market for more business opportunities as well as ongoing expansion plans to deliver favourable financial results. Barring any unforeseen circumstances, the Board expects the financial performance for the financial year ending 31 December 2017 to remain profitable.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Income tax	754	1,536	1,625	2,428
Total tax expense	754	1,536	1,625	2,428

Income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the period.

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate mainly due to over provision of income tax in the previous year of RM57,000.

B6 Retained Earnings

RM'000	As at	As at
	30.06.2017	30.06.2016
Realised	79,542	83,482
Unrealised	(89)	76
	79,453	83,558
Consolidation adjustments	(866)	(510)
Total retained earnings	78,587	83,048

B7 Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

B8 Utilisation of proceeds from the initial public offering

RM'000	Intended utilisation	Actual utilisation	Deviation	Intended	Extended
				timeframe for utilisation (from date of listing)	timeframe for utilisation
Repayment of bank borrowings	4,557	4,557	-	Within 12 months	
Purchase of office cum stores	6,500	-	-	Within 24 months	
Purchase of equipment	1,000	-	-	Within 12 months	Additional 6 months*
Working capital	2,743	-	-	Within 24 months	
Estimated listing expenses	3,200	2,761	439	Upon listing	
Total	18,000	7,318	439		

*The Company has yet to fully utilise the IPO proceeds. The Board has resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the purchase of equipment for an additional 6 months as the Company is still in the midst of identifying suitable equipment that fits into the Company's testing line.

B9 Borrowings (secured)

RM'000	As at	As at
	30.06.2017	30.06.2016
Hire purchase	130	74
Term loans	588	588
Short term borrowings	718	662
Hire purchase	228	42
Term loans	2,068	7,213
Long term borrowings	2,296	7,255
Total borrowings	3,014	7,917

B10 Changes In Material Litigation

On 20 May 2014, SGV Builders Sdn Bhd ("SGV") initiated arbitration proceedings against a wholly owned subsidiary of the Company, Dancomech Engineering Sdn Bhd ("DESB") for non-payment of RM741,808.05 pursuant to a construction project at Lot 19, Jalan Pelukis U1/46, Seksyen U1, 40150 Bandar Shah Alam, Selangor Darul Ehsan ("SGV's Claim"). The non-payment by DESB was due to the alleged failure of SGV in completing the construction project within the stipulated timeframe as per the terms and conditions of the contract between DESB and SGV dated 18 May 2012. SGV subsequently amended its points of claim by, among others, increasing the amount claimed for loss and expenses incurred and disregarding the retention sum held by SGV. As a result, the total amount claimed by SGV under this arbitration proceedings increased to RM1,401,169.95 ("SGV's Amended Claim").

On 6 June 2014, DESB served a reply to the Notice of Arbitration and filed a counter-claim against SGV for a sum of RM461,000.00 ("Counter Claim"). The hearing for this matter commenced on 26 April 2016 and 27 April 2016 and further hearing dates were fixed for arbitration hearing on 11 July and 25 July to 29 July 2016. DESB's solicitors are of the view that DESB has a fair chance in defending the SGV's Claim and succeeding in the Counter Claim.

In addition to the aforesaid arbitration proceedings, on 22 September 2015, SGV initiated an adjudication proceedings against DESB on substantially the same subject matter set out in the arbitration proceedings above. On 24 February 2016, the adjudicator has awarded SGV ("Adjudication Award") among others, RM890,451.05 ("Adjudication Amount") which forms part of SGV's Amended Claim.

DESB has complied with the Adjudication Award which includes payment of the Adjudicated Amount plus interest and costs to SGV.

The outcome of the arbitration proceedings will prevail over the Adjudication Award, and will be the final award for the matter.

Save as disclosed above, there were no other material litigations against the Group as at the reporting date.

B11 Proposed Dividend

The Board has declared a single-tier interim dividend of 0.75 sen per ordinary share on 298,000,000 ordinary shares, amounting to RM2,235,000 in respect of the financial year ending 31 December 2017, which will be paid on 26 September 2017. The entitlement date for the above-mentioned interim dividend is on 6 September 2017.

B12 Earnings Per Share ("EPS")

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to Owners of the Company (RM'000)	2,588	4,329	5,031	7,071
Weighted average number of ordinary shares in issue ('000)	241,666	274,000 *	241,666	274,000 *
Effect of dilution ('000)	47,428	81,273	47,428	81,273
Adjusted weighted average number of ordinary shares in issue ('000)	289,094	355,273	289,094	355,273
Basic EPS (sen)	1.1	1.6	2.1	2.6
Diluted EPS (sen)	0.9	1.2	1.7	2.0

*Comparative figures for the weighted average number of ordinary shares for basic and diluted earnings per share have been restated to reflect the adjustment arising from the share split and warrants during the financial year.

B13 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

B14 Profit Before Tax

RM'000	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit before tax is arrived at after crediting/(charging):				
Interest income	217	35	453	59
Other income including investment income	377	557	755	766
Interest expense	(5)	(2)	(6)	(3)
Depreciation	(210)	(200)	(423)	(341)
Impairment loss on trade receivables	(128)	(137)	(128)	(137)
Realised gain on foreign exchange	50	249	31	72
Unrealised (loss)/gain on foreign exchange	(98)	98	(112)	(497)

Save as disclosed above, there were no material provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investment or real properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter under review.